



State of Washington
Department of Revenue

Excise Tax Advisory

Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

NUMBER: 459.04.146 **CANCELLED 04/11/01**

CONVERSION DATE: July 1, 1998

INTEREST RECEIVED ON DIRECT OBLIGATIONS OF THE FEDERAL GOVERNMENT

Issued December 18, 1973

In regard to interest received on obligations of the Federal government, Rule 146 provides as follows:

A deduction may also be taken for interest received on direct obligations of the Federal government, but not for interest attributable to loans or other financial obligations on which the Federal government is merely a guarantor or insurer.

United States savings bonds and treasury notes are direct obligations of the U.S. government and as such, interest received on those investments is deductible from the measure of the business and occupation tax.

The Department has determined that the following are agencies or instrumentalities of the Federal government and the interest received on direct obligations of these agencies or instrumentalities is not subject to business and occupation tax by reason of published Rule 146:

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| 1. Federal Home Loan Bank | 12 USC 1437(b) |
| 2. Federal Intermediate Credit Bank | 12 USC 2071 |
| 3. Federal Savings & Loan Insurance Corp. | 12 USC 1725(c) |
| 4. Bank for Cooperatives | 12 USC 2098, 2091 |
| 5. Production Credit Associations | 12 USC 2134, 2121 |
| 6. Federal Land Banks | 12 USC 2055 |
| 7. Federal Land Bank Associations | 12 USC 2055 |
| 8. Export-Import Bank | 12 USC 635A |

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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9. Government National Mortgage Assoc.

12 USC 1716b

The Department has determined further that interest paid by the Federal National Mortgage Association is subject to business and occupation tax because FNMA has been a government-sponsored private corporation since 1968. Thus its obligations are not obligations of the Federal government. See 12 USC 1716b.

It is stressed that only interest received from direct obligations of qualifying organizations is exempt. Interest attributable to loans or other financial obligations on which the Federal government is merely a guarantor or insurer is taxable.